

Michigan Higher Education Assistance Authority

Michigan Higher Education Student Loan Authority

Annual Report

1999-00

Michigan Higher Education Assistance Authority
M I C H I G A N H I G H E R E D U C A T I O N
S T U D E N T L O A N A U T H O R I T Y

1999-00

The Authorities are charged with providing policy guidance for program administration.

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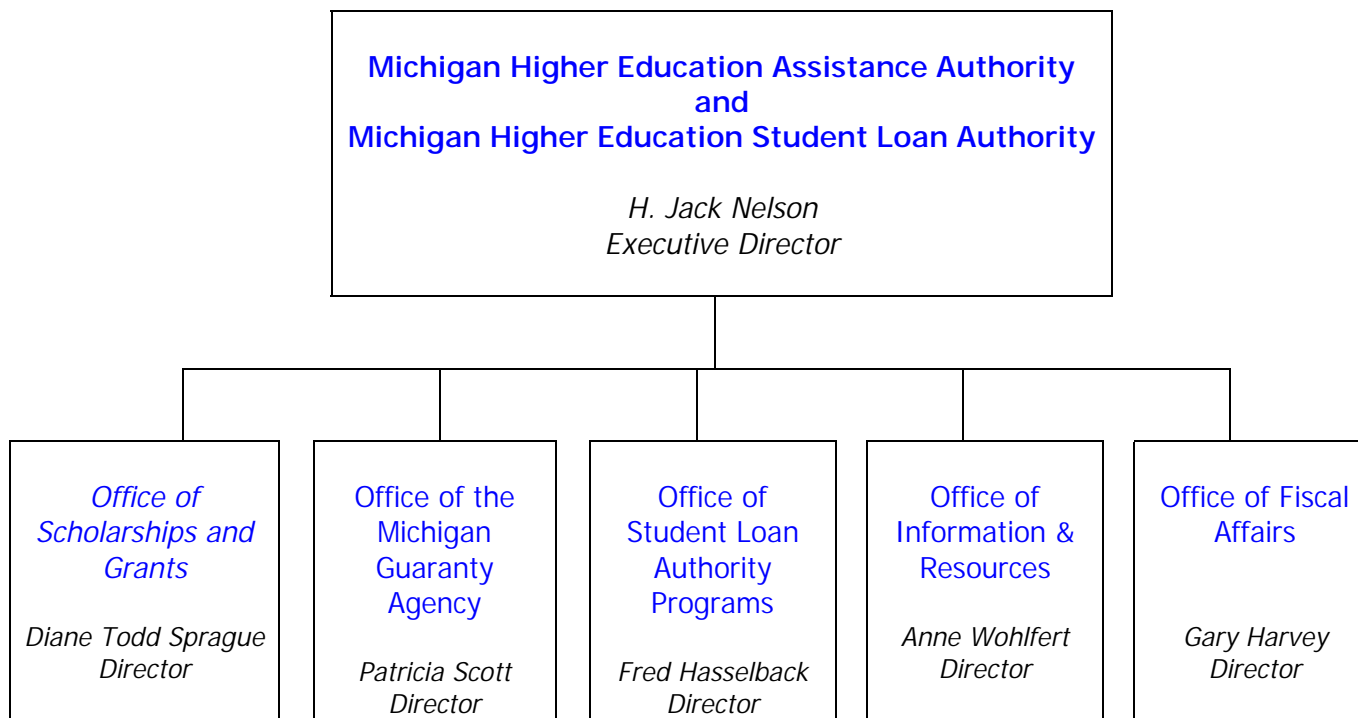
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Organizational Chart



The Michigan Higher Education Assistance Authority and Michigan Higher Education Student Loan Authority (Authorities) have a long-standing commitment to serving Michigan students. The Authorities are committed to preserving students' rights to equal access and freedom of choice when seeking postsecondary educational opportunities.

Introduction

The Authorities performed the following services during FY 1999-00 to help make a postsecondary education affordable and achievable for Michigan residents:

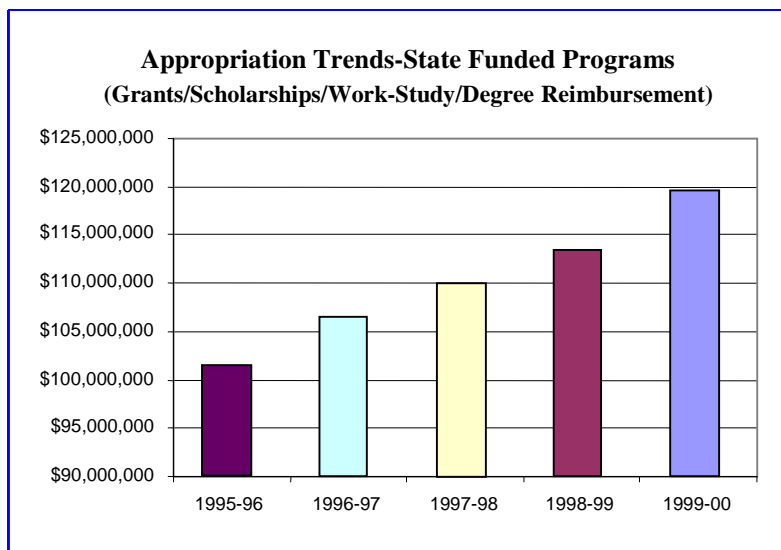
- Provided policy guidance and management of over one hundred million dollars for state-funded grant, scholarship, and work-study programs for almost 76,000 students
- Provided students with funds from federal scholarship programs
- Guaranteed over 100,000 student and parent loans for Michigan residents and students attending Michigan postsecondary educational institutions
- Provided general financial aid information to the public
- Worked with college/university financial aid administrators and high school counselors to provide technical assistance and information
- Prevented student loan defaults
- Assisted students in establishing repayment plans for loans that were in default
- Provided lender services for over 15,000 student loans
- Provided student loan secondary market services for almost 50,000 loans
- Coordinated bond issues which provided funding for student loans

This report summarizes the highlights of those services in these categories:

- Acknowledgments
- Program Descriptions
- Program Snapshots
- Key Customer Service Activities
- Process Improvement Activities
- Future Enhancement Activities
- Executive Summary

Acknowledgments

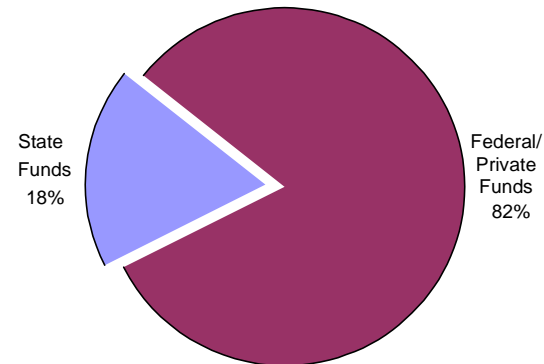
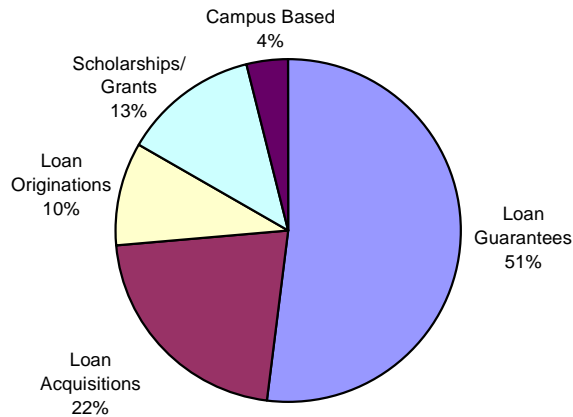
The dedication of the Governor and the Michigan Legislature to help postsecondary students achieve their educational goals is evidenced by the steady growth in appropriation levels for the state-funded programs over the last five years.



Moreover, the many accomplishments achieved under the Authorities would not have been possible without the continuing support of the State Department of Treasury, the Michigan Student Financial Aid Association, and the Association of Independent Colleges and Universities of Michigan. High school counselors and financial aid administrators also provide a central link to families and students. The participation of these groups is essential and appreciated.

Program Descriptions

Funds administered for the student financial aid programs totaled over \$714.5 million during FY 1999-00. Below is a chart that depicts the percentage of dollars spent by program. These funds are derived from a variety of student aid programs. State dollars appropriated by the Michigan legislature are restricted to Michigan residents attending in-state institutions. The balance is federal and private funds administered by the Authorities for Michigan students and Michigan postsecondary institutions. The second graph depicts a breakdown of funds administered by source.



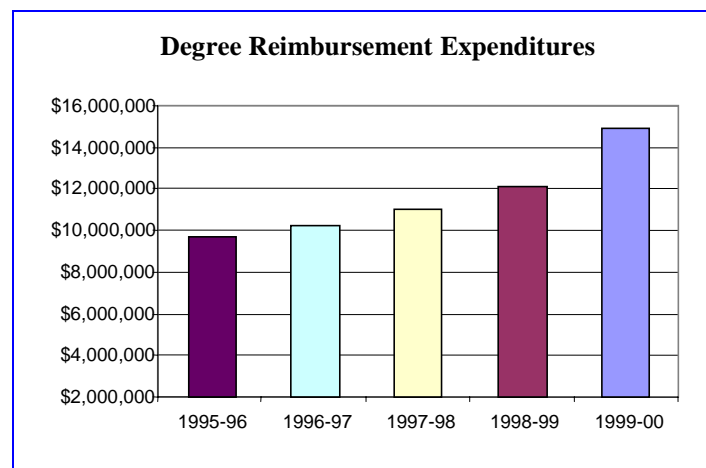
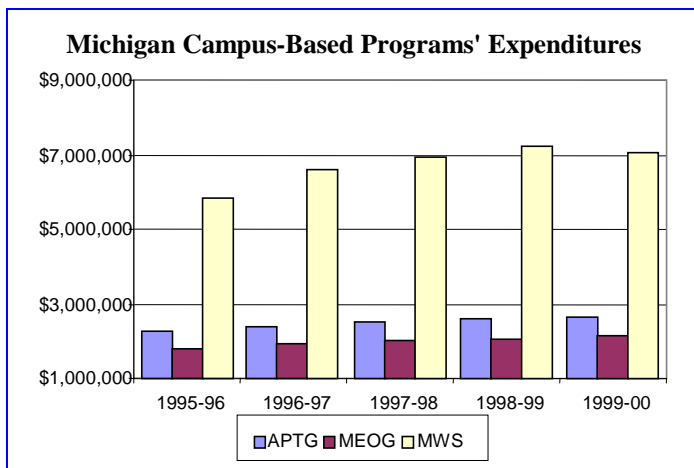
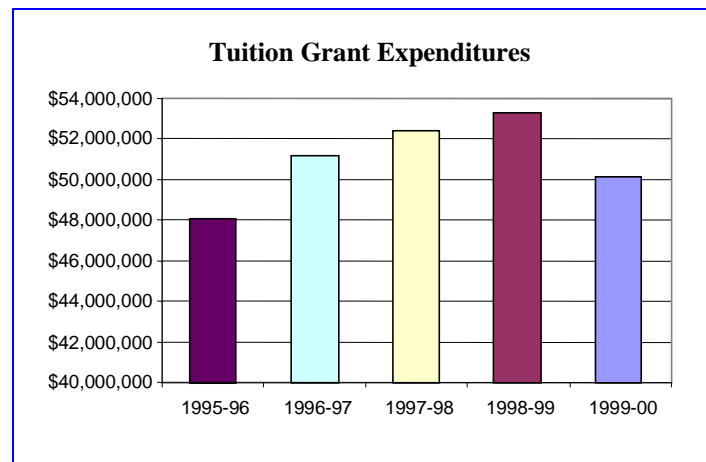
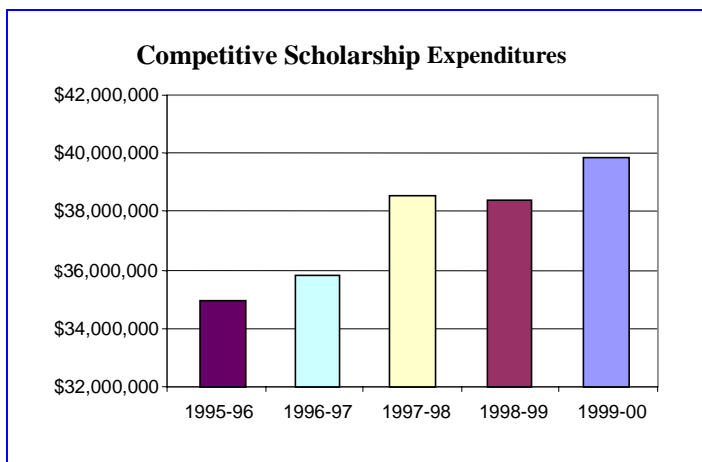
A brief description of each program's activity in FY1999-00 is detailed in the following table. To ensure consistent and correct delivery of these program funds, staff conducted program reviews of the schools/lenders involved in the Federal Family Education Loan Program and the schools participating in the Campus-Based Programs.

Financial Aid Programs		
Name	Description	Volume/ Dollar Amount
Michigan Competitive Scholarship (MCS)	Merit/need-based program for students at public/private institutions. Award maximum was \$1,200.	28,463 \$39,859,367
Leveraging Educational Assistance Partnership Program/Supplemental Leveraging Educational Assistance Partnership Program (LEAP/SLEAP)	Provides federal matching funds for states administering comprehensive need-based student financial assistance programs. States are authorized to provide assistance to students according to existing state program regulations. Michigan chose to add LEAP funds (\$1,055,734) to the MCS.	NA
Michigan Tuition Grant (MTG)	Need-based award for students attending an independent, non-profit college. Award maximum was \$2,550.	28,441 \$50,144,330
Robert C. Byrd Honors Scholarship	Gives up to \$1,500 in federal scholarship money for academically talented high school students.	1,003 \$1,438,500
Adult Part-Time Grant (APTG)	Provides up to \$600/year for independent part-time students who demonstrate financial need.	7,064 \$2,644,612
Michigan Educational Opportunity Grant (MEOG)	Provides up to \$1,000 for needy students attending a public Michigan postsecondary institution.	5,564 \$2,119,663
Michigan Work-Study Programs (MWS)	Gives needy undergraduate and graduate students the opportunity to earn money toward their education while enrolled in school.	6,433 \$7,072,810
Degree Reimbursement Program (DR)	Reimburses independent non-profit institutions for degrees conferred in three distinct categories; they include general degrees, allied health degrees, and dental degrees.	13,494 \$14,907,876
Federal Subsidized Stafford Loans	Offers a low interest rate loan. Interest is subsidized by federal government pending certain requirements.	58,013 \$159,802,599

Financial Aid Programs		
Name	Description	Volume/ Dollar Amount
Federal Unsubsidized Stafford Loans	Offers a low interest rate loan. Interest is not subsidized by the federal government.	40,270 \$126,131,601
Federal PLUS Loans	Allows parents to borrow on behalf of undergraduate students to help meet educational expenses.	3,302 \$17,462,111
Federal Consolidation Loans	Allows student/parent borrowers to consolidate several types of federal student loans into one loan.	2,889 \$67,253,387
Michigan Direct Loans	Offers Subsidized and Unsubsidized Stafford, PLUS, and Consolidation loans to students and parents.	13,549 \$57,829,964
MI-LOAN Loans	Offers an alternative source of loan funds to creditworthy Michigan students and their families to assist in meeting the costs of higher education.	2,046 \$12,882,132
State Secondary Market	Purchases federally insured loans from financial institutions as a means of liquidating their assets and providing new capital to reinvest in new student loans.	49,617 \$154,917,998
<p><i>For more general information about these programs, visit www.MI-StudentAid.org.</i></p> <p><i>An appendix that provides more detail about program expenditures is available by calling 1.877.323.2287 (toll-free) or writing to the Office of Information & Resources, P.O. Box 30466, Lansing, MI 48909-7966.</i></p>		

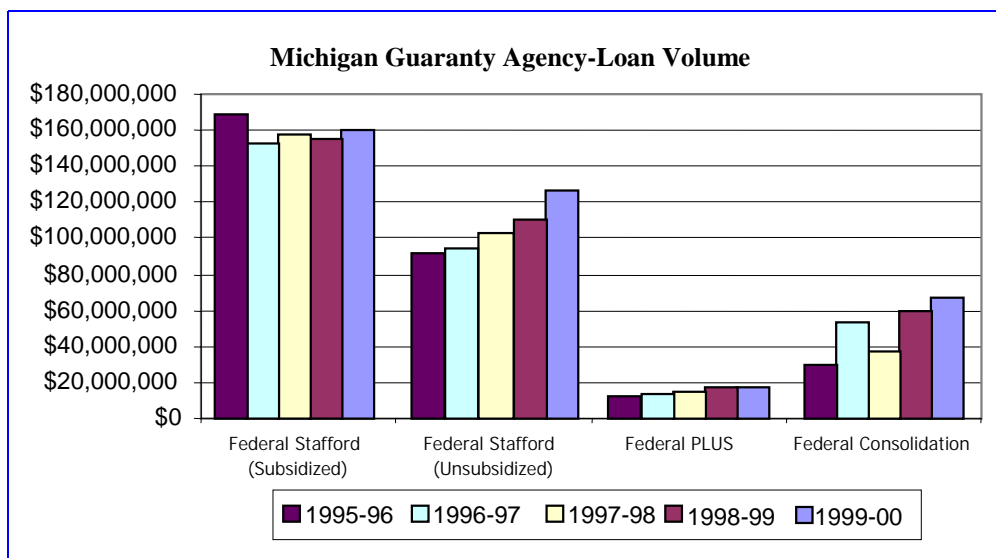
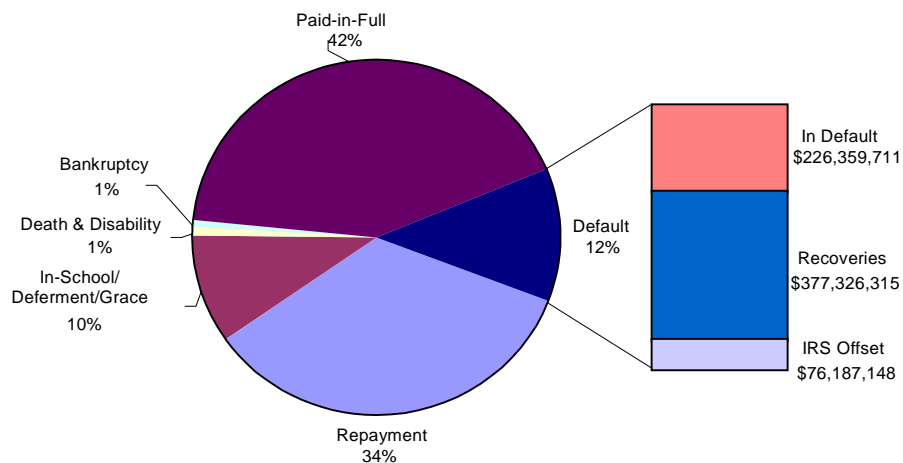
Program Snapshots

The following charts show, at a glance, each major program's activity.

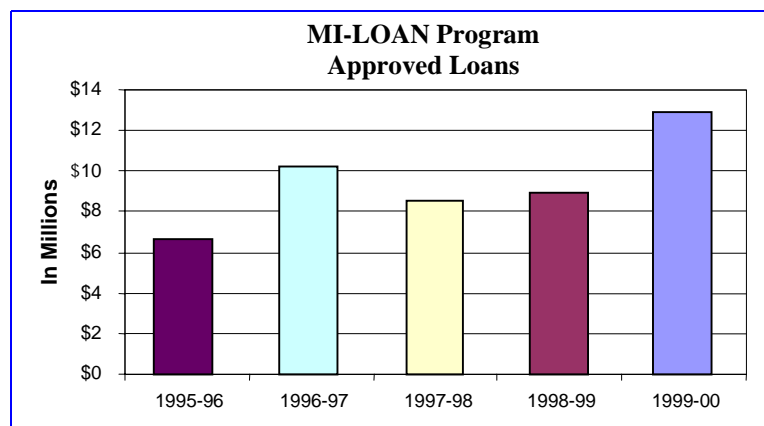
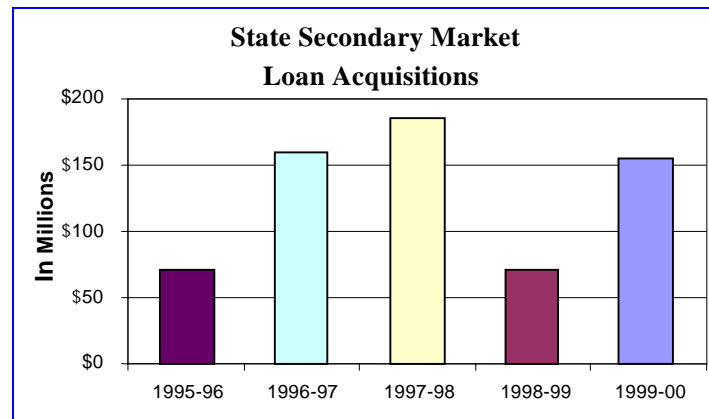
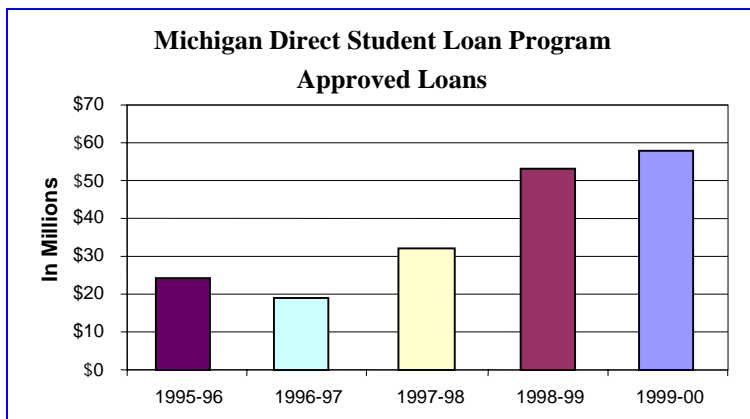


Program Snapshots

Michigan Guaranty Agency Cumulative Loan Portfolio Status	
<i>Category</i>	<i>Amount</i>
Repayment	\$1,964,473,203
In-School/Deferment/Grace	576,598,310
Death and Disability	36,128,848
Bankruptcy	32,173,243
Default	679,873,174
Paid-in-Full	2,449,183,519
Total	\$5,738,430,297



Program Snapshots



Key Customer Service Activities

Although delivery of program funds is the main focus of Authority staff, there are a variety of other ways in which staff assisted students with financing their educational expenses. A key example of this is in how the Authorities worked to bring new programs and benefits to student loan borrowers. The MI-LOAN Credit Ready Loan Program was developed and implemented at qualifying schools with low student loan default rates. This program provides applicants without an established credit history the opportunity to apply for a loan.

Programs that offer students incentives and/or rewards for repaying their student loans continue to add value for students who borrow. During 1999-2000 the Prompt Pay Savings program offered a reduced interest rate to students who made their first 48 consecutive loan payments on time.

An important service to Michigan taxpayers came with the implementation of a new default prevention strategy that targets high-risk borrowers during their grace period and early in their repayment cycle. Because of these initiatives, fewer borrowers will default and schools and lenders can expect default rates to decline as a result.

Staff worked with representatives from the Lt. Governor's office, other state agencies, and colleges and universities to develop an administrative plan for the new Postsecondary Access Student Scholarship (PASS) program.

The school operation's manual for the Adult Part-Time Grant, Michigan Educational Opportunity Grant, and Michigan Work-Study Programs was placed on the Web for reference by financial aid administrators. This has enabled staff to provide current and timely information for the campus administration of these programs.

Staff initiated, directed, and coordinated \$83.5 million in bond issues to fund the student loan program activities.

The \$86.7 million of defaulted student loans collected was double last year's amount.

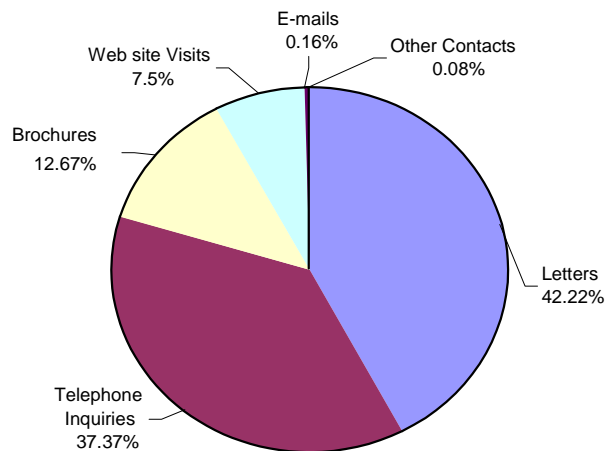
All divisions provided increased access to customers by establishing special e-mail addresses. For example, the Office of Scholarship and Grants' mailbox provides a 24-hour response time.

All divisions contributed to a greatly expanded Web site that meets customer needs.

O U T R E A C H A C T I V I T I E S

The Authorities aggressively promote information about the programs, products and services that are available to Michigan's citizens. During FY 1999-00 a variety of outreach methods were used to disseminate information and to provide feedback and training. For example, staff participated in Financial Aid Awareness Month activities, helped sponsor over 20 High School Counselor Workshops, and provided assistance to students and aid administrators across the state. Staff communicated with the public in a variety of ways including a toll-free hotline, the Authorities' Web site, and on-site meetings with schools. The following chart illustrates those efforts.

<u>Outreach Activity</u>	<u>Volume</u>
Letters	270,000
Telephone Inquiries	239,000
Brochures	81,000
Web site Visits	48,000
E-mails	1,000
Other Contacts	531



As the above chart illustrates, the traditional methods of communication, telephone calls and letters, were predominately used for contact with our customers. The Web site (introduced in 2000) is growing in popularity and is demonstrating an increase in utilization. The Authorities expect to use the Web to conduct more on-line services in the near future.

Process Improvement Activities

During FY 1999-00, the Authorities made major technological and administrative advances:

Staff members joined the task force that is working on the Governor's "e-Michigan" initiative to provide a one-stop Web site for Michigan residents.

FileNet, a document imaging system that allows for same or next day retrieval of documents, was implemented. Student loan services were also enhanced by use of the UNILINK system that provides schools with access to detailed account information.

Staff made a commitment to streamline processes as evidenced by the increasing use of PC database applications such as that used for the Campus-Based Programs' reviews. This process has automated the selection, on-site review and reporting processes. The database was put on a laptop computer making it portable to the institutional review site. All letters and reports are generated from the database.

The Campus-Based Programs' new database allows for the file transfer of payments from the PC level directly to the Michigan Administrative Information Network (MAIN).

Staff converted the Michigan Guaranty Agency (MGA) automated accounting system from a DOS operating system to a Windows operating system. This permits multiple users to enter, manipulate, and retrieve financial information at the same time. Consequently, staff efficiency has improved. Additionally, with MGA implementation of common forms, monitoring of the student loan programs has been simplified for lenders, servicers and guarantors.

Through participation with student loan industry officials, staff implemented federal reporting improvements that resulted in more automated functionality and almost no reliance on manual federal reporting processes.

MI-LOAN Program administrative rule amendments were implemented resulting in substantial improvements, such as the expansion of the eligible borrower definition to include parents and disbursement flexibility to allow for electronic disbursement.

F U T U R E E N H A N C E M E N T A C T I V I T I E S

In the future, the Authorities will continue efforts to improve and enhance the way we do business to better serve our students and business associates. All members of the staff are dedicated to improving educational opportunities and options in the most effective and efficient manner possible. Some of those initiatives are summarized here.

A new Web accessible platform that will aid the secure and speedy delivery of scholarship/grant funds to schools and students. This includes interactive capabilities with participating institutions. The institutions will have access to updating information and reporting data on-line.

All customer groups will be able to take advantage of on-line business services such as on-line ordering of materials, and interactive consulting assistance utilizing the Authorities' information Web site chat rooms.

For the first time, counselors will be able to participate in a statewide training workshop via live satellite transmission.

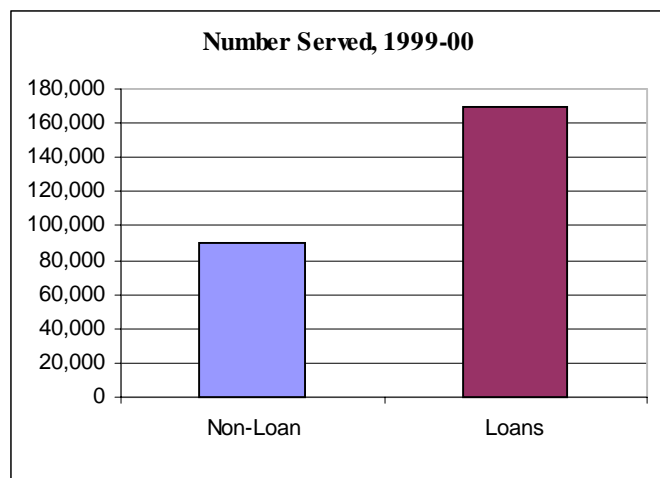
The loan programs are gearing up to implement the provisions of the Gramm-Leach-Bliley Act relative to customer privacy disclosures. Over the long term, they also seek to implement the use of digital signatures.

Guaranty Agency staff is researching new file systems that will better protect the privacy of the borrowers and the original Promissory Note.

Staff will have the ability to scan records and burn to CD's greatly improving record storage and retrieval procedures. This new process will also save in-house space and reduce storage costs.

Executive Summary

Fiscal year 1999-00 is one that the Authorities can be proud of for many reasons. Foremost is the enhanced service that was provided to Michigan residents. It is our belief that the efforts by staff to efficiently and effectively administer programs have increased access and choice to a postsecondary education for Michigan's students. In addition, staff devoted themselves to ensuring that all of the Authorities' technologies were Y2K compliant. As a result, not one customer experienced a loss of service with the arrival of the year 2000. The Authorities' staff administered over \$714 million in student financial aid programs; thus, assisting over 250,000 students in their pursuit of postsecondary education. Of the approximately 250,000 students, more than 90,000 of them received some form of non-loan assistance.



Actions by staff led to programmatic changes that provided new services and reduced interest rates for borrowers. In addition, staff designed new default prevention strategies to target and assist high-risk borrowers. It is expected that this initiative will result in reduced default rates for schools and lenders. Service to the Authorities' students/customers was also enhanced through new technologies that streamlined delivery processes. In addition, the arrival and expansion of the Authorities' Web site provided increased access to information about available programs and services. Through sound fiscal management, the Authorities received unqualified ("clean") audit opinions on the Michigan Guaranty Agency and Student Loan Authority fiscal year 2000 financial statements.

In summary, FY 1999-00 accomplishments laid the groundwork for the enhanced service that staff will provide to customers in future years. With the support of the Governor and the Michigan Legislature, the Authorities look forward to another year of working in collaboration with college financial aid administrators, high school counselors, state and federal government entities, private servicing organizations, lending institutions, and other organizations involved in student financial assistance endeavors. Through the utilization of new technologies, financial resources, and staff dedication and expertise, the Authorities remain committed to preserving students' rights to equal access and freedom of choice when seeking postsecondary educational opportunities.

H. Jack Nelson
Executive Director
MHEAA/MHESLA

Statement of Compliance With Federal Law

The Michigan Higher Education Assistance Authority (MHEAA) and the Michigan Higher Education Student Loan Authority (MHESLA) comply with all federal laws and regulations prohibiting discrimination and with all requirements and regulations of the U.S. Department of Education. It is the policy of the MHEAA and MHESLA that no person on the basis of race, color, religion, national origin or ancestry, age, sex, marital status, or handicap shall be discriminated against, excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in any program or activity for which it is responsible or for which it receives financial assistance from the U.S. Department of Education.

The publication of this Annual Report is mandated by Section 10 of Act 77 of the Public Acts of 1960, as amended.



MICHIGAN
DEPARTMENT OF
TREASURY